



5749 03/16/07 \$30,000.00 ✓

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	
)	ORDER NO. D06-201
THE CONTINENTAL INSURANCE)	
COMPANY,)	CONSENT ORDER
)	IMPOSING A FINE
An Authorized Insurer)	

FINDINGS OF FACT

1. The Continental Insurance Company ("Continental") is authorized to conduct insurance business in the State of Washington. The legal name of the instant insurer at the time of the events in the following recital was known as The Glens Falls Insurance Company. On or about December 31, 2006, The Glens Falls Insurance Company merged with/into Firemen's Insurance Company of Newark, New Jersey. On the same date, Firemen's Insurance Company of Newark, New Jersey merged with/into The Continental Insurance Company. Therefore, the surviving entity responsible for the actions of The Glens Falls Insurance Company and the resultant disciplinary action related thereto is The Continental Insurance Company.
2. On October 1, 1999, CNA Financial Corporation and certain of its subsidiaries including Glens Falls Insurance Company ("CNA") entered into a series of agreements with Allstate Insurance Company and certain of its affiliates ("Allstate"). Pursuant to these agreements, Allstate acquired CNA's personal lines business and was given authority to administer that business including the right to underwrite business and adjust claims. As part of this transfer, during the period from October 1, 2003 through October 1, 2004, the parties agreed to transfer the personal lines insurance business written by Glens Falls to Encompass Insurance Company of America. The business was administered by an Allstate business unit to be known as "Encompass Insurance." On October 1, 2005, Allstate purchased certain companies from CNA including Encompass Insurance Company of America.
3. Glens Falls issued notices of renewal to Glens Falls policyholders that indicated that, although the underwriting company and policy number had changed, their policy had remained continuously in force. The notice did not specify the successor insurer nor did it state that the Glens Falls policy was not being renewed.

4. By letter dated April 16, 2004, April Findley of the OIC brought to the attention of Encompass that the transfer of any Glens Falls policy to Encompass constituted a non-renewal, and should have been done with proper notice as required by RCW 48.18.292. Ms. Findley specified the statutory requirements for notice. Ms. Findley made a second request for the list of Washington policyholders moved from one company to another within the preceding 18 months, as well as for a copy of the required notice of non-renewal that the company should have sent to the affected consumers.

5. Over a month later, Susan J. Gorant, Associate Counsel for Encompass, wrote back to Ms. Findley on May 17, 2004 that indeed the company had deliberately not used the non-renewal letter template contemplated in the 1999 agreement because it may have caused confusion for policyholders. Ms. Gorant did not supply the requested names of transferred policyholders.

6. After the letter of May 17, 2004, Encompass failed to respond altogether to Ms. Findley's two further requests (Letters of 6-28-04 and 8-4-04) for the names of all Washington policyholders within the CNA group that had been moved from one company to another within the last 18 months.

7. The matter was referred to Legal Division of the OIC on October 21, 2004, and assigned to Staff Attorney William Kirby. By letter dated November 3, 2004, he requested the names of Washington policyholders who had been transferred from a CNA company to Encompass. Mr. Kirby got the requested list of policyholders on November 24, 2004. 24,983 Washington Glens Falls policies had been transferred to Encompass.

CONCLUSIONS OF LAW

1. By failing to include in the notice to Glens Falls policyholders the reason that it was refusing to renew Glens Falls policyholders' insurance in clear and simple language, so that insureds would not need to resort to additional research to understand the real reason for the action, Glens Falls violated RCW 48.18.292 and WAC 284-30-570.

2. By failing to consistently respond to OIC inquiries in a timely and complete fashion, Glens Falls violated WAC 284-30-650, which requires an insurer to respond promptly to any inquiry from the insurance commissioner relative to the business of insurance. A lack of response within fifteen business days from receipt of an inquiry is considered untimely. A response must be in writing, unless otherwise indicated in the inquiry.

CONSENT TO ORDER

1. Continental consents to the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consents to the entry of the Order and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order. The Insurance Commissioner consents to resolve this matter in consideration of the insurer's payment of a fine as set forth below.

2. Within thirty days of the entry of this Order, Continental will pay to the Insurance Commissioner a fine in the amount of \$30,000 (thirty thousand dollars).
3. Failure to pay the fine in full within thirty days of the entry of this order will constitute grounds for suspension or revocation of the certificate of authority held by Continental in Washington State. It will also result in a civil action being brought by the Attorney General on behalf of the Insurance Commissioner, to recover the fine.

EXECUTED this 14 day of March, 2007.

Approved by
Law Dept.

By: JM

Date: 3-14-07

THE CONTINENTAL INSURANCE COMPANY

By:

Title:

David S. Knight
Vice Chief Compliance Officer

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. The Continental Insurance Company is ordered to pay a fine in the amount of Thirty Thousand Dollars (\$30,000).
2. Thirty Thousand Dollars (\$30,000) must be paid in full within thirty days of the date of entry of this order. Failure to pay this fine and to adhere to the conditions shall constitute grounds for revocation of The Continental Insurance Company's Certificate of Authority, and in the recovery of the fine through a civil action brought on behalf of the commissioner by the attorney general.

ENTERED AT TUMWATER, WASHINGTON this 20th day of March, 2007

Mike Kreidler

Washington State Insurance Commissioner

By:

Marcia G. Stiekler
Marcia G. Stiekler, JD, LLM

Staff Attorney, Legal Affairs Division